



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

February 27, 2009

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Third District

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To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

WASHINGTON, D.C. UPDATE

President's Proposed Fiscal Year 2010 Budget Outline

On February 26, 2009, President Obama released his proposed \$3.6 trillion budget for Federal Fiscal Year (FFY) 2010. Unlike previous years, the budget is an outline with few specific details. A complete budget containing program-by-program funding will not be released until early April 2009.

The budget projects a \$1.8 trillion Federal deficit in FFY 2009 and a \$1.17 trillion deficit in FFY 2010. The deficit would then decline in future years to \$533 billion in FFY 2013. High deficits in FFY 2009 and FFY 2010 are expected to be reduced due to costs that are not expected to recur, namely the expiration of economic stimulus and financial rescue funding and downsizing of military operations in Iraq and Afghanistan.

The budget proposes to create a "reserve fund" of \$634 billion over 10 years devoted to health care expansion. Approximately one-half of the reserve fund (\$318 billion) would be financed by increasing the tax rate from 33 percent to 36 percent for individuals earning more than \$200,000 and married couples earning more than \$250,000. The tax rate for income over \$370,000 would increase from 35 percent to 39.6 percent.

The other half of the reserve fund (\$316 billion) would be derived through increased efficiencies in Federal health programs, primarily from payment reforms to Medicare Advantage, the private Medicare managed care plan, and reforms to the Medicare

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Part D prescription drug benefit. The budget also seeks to curtail hospital admissions and readmissions by providing additional funding for prevention programs and expanding home-based visits by nurses.

The budget offers no specific proposals to increase aid further to states or to safety net hospitals. There also are no expansions of Medicaid coverage to the unemployed or uninsured. These issues are expected to be addressed when Congress considers health care reform legislation.

As part of the President's comprehensive energy and climate change plan, the budget projects revenue of \$645.7 billion over 10 years by selling carbon emission credits to industry as part of a cap-and-trade system to combat global warming. The budget assumes that approximately \$150 billion of revenues derived from auctioning carbon emission credits will fund investments over the next 10 years in clean energy technologies with a goal of reducing greenhouse gas emissions 14 percent below 2005 levels by 2020, and 83 percent below 2005 levels by 2050. The budget assumes that most of the remainder of the funds raised from the credit auction will be used to help lower income individuals and businesses offset higher energy costs.

Programs of County interest for which proposed funding or program levels are specified, include:

Child Care and Development Block Grant: The budget provides an additional \$2 billion for the Child Care and Development Block Grant.

Disaster Assistance: The budget proposes \$20 billion annually for disaster assistance and recovery efforts, changing the current practice of relying on Congress to approve supplemental appropriations when natural disasters occur.

High Speed Rail: The budget proposes \$5 billion over five years for a high-speed rail State grant program. This is in addition to \$8 billion in high-speed rail funding provided in the American Recovery and Reinvestment Act.

Housing and Community Development: The budget recommends an increase in funding for the Community Development Block Grant (CDBG) to \$4.5 billion and proposes formula changes to target funds to more distressed communities. The budget proposes to eliminate the Section 108 Community Development Loan Guarantee Program, but would allow Section 108 activities to continue to be eligible under CDBG.

Public Safety Officers: The budget expands COPS hiring grants by providing funding for an additional 50,000 police officers, but does not list specific information about the amount of funding provided for each officer or the duration of the funding.

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Wildfires: The budget assumes \$1.1 billion in annual appropriations for the prevention and suppression of wildfires and creates separate contingency funds within the Departments of Agriculture and Interior that can be accessed if this funding runs out during a given fiscal year.

A detailed budget will be released in April, and we will continue to keep you advised.

WTF:GK
RT:RD/GC:sb

c: All Department Heads
Legislative Strategist